BY THE U.S. GENERAL ACCOUNTING OFFICE

Report To The Administrator Of General Services

GSA Nonstores Procurement Program Falls Far Short Of Its Objectives

The GSA nonstores program is a conglomeration of procurement activities designed to provide Federal agencies with a wide variety of items not generally available through other major GSA procurement programs. However, weaknesses in the program's administration have caused the program to fall short of providing economic and efficient customer service.

Improved program management can save millions of dollars each year through effective motor vehicle consolidation, significant reductions in sole source procurements, and better use of limited resources.

PLRD-82-36
FEBRUARY 24, 1982

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UNITED STATES GENERAL ACCOUNTING OFFICE
WASHINGTON, D.C. 20548

PROCUREMENT, LOGISTICS,
AND READINESS DIVISION

B-202891

The Honorable Gerald P. Carmen
Administrator of General Services

Dear Mr. Carmen:

This report discusses the General Services Administration's (GSA's) nonstores procurement program and the need for GSA to consolidate agency motor vehicle requirements, improve negotiated contract procedures, and reduce duplicate procurement services.

This report contains recommendations to you on pages 10, 16, and 22. As you know, section 236 of the Legislative Reorganization Act of 1970 requires the head of a Federal agency to submit a written statement on actions taken on our recommendations to the Senate Committee on Governmental Affairs and the House Committee on Government Operations not later than 60 days after the date of the report and to the House and Senate Committees on Appropriations with the agency's first request for appropriations made more than 60 days after the date of the report.

We are sending copies of this report to the Secretaries of Defense and State; the Administrator, Agency for International Development; the Director, Office of Management and Budget; the Administrator, Office of Federal Procurement Policy; and the Chairmen, House and Senate Committees on Appropriations, Senate Committee on Governmental Affairs, and House Committee on Government Operations.

Sincerely yours,

Donald J. Horan

Donald J. Horan
Director

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GENERAL ACCOUNTING OFFICE
REPORT TO THE ADMINISTRATOR
OF GENERAL SERVICES

GSA NONSTORES PROCUREMENT PROGRAM FALLS FAR SHORT OF ITS OBJECTIVES

D I G E S T

The General Services Administration's (GSA's) nonstores program has fallen far short of efficiently and economically procuring commodities for agencies. This is due to GSA's

--failing to consolidate customer motor vehicle requirements and achieve the benefits of volume procurement,

--entering into restrictive interagency procurement agreements, and

--performing procurement functions which could be accomplished adequately by its customers.

Improved management of the program could result in

--savings of millions of dollars each year through greater motor vehicle consolidation,

--significant reductions in sole-source procurements,

--more effective contract award procedures to assure reasonable prices, and

--better use of limited GSA resources by avoiding duplication of existing GSA procurement programs.

The nonstores program is managed by several GSA organizational elements, including the National Automotive Center, the Special Programs Division, and the regional offices. It provides items not generally available through the GSA stores or Federal Supply Schedule program. Although the nonstores program, with fiscal year 1980 sales of $428.4 million, is the smallest of the three GSA procurement programs, its large sales volume warranted detailed examination by GAO to identify opportunities for more efficient and effective management.

PLRD-82-36
FEBRUARY 24, 1982

Tear Sheet

MOTOR VEHICLE PROCUREMENTS

To maximize savings, the Federal Property Management Regulations require that at least 75 percent of an agency's total annual automobile and light truck requirements be submitted to GSA for inclusion in four annual consolidated procurements. One consolidated procurement is to be made for automobiles and three consolidated procurements are to made for light trucks.

GAO found that, for fiscal years 1978 through 1981, GSA's automobile consolidation record has varied considerably--ranging from 3.6 percent to 55.9 percent of total procurements. Similarly, GSA's three fiscal year 1980 consolidated truck procurements achieved a combined consolidation rate of only 12.8 percent. As a result of GSA's ineffective automobile consolidation record, GAO estimates that the Government did not realize savings of $35 million for fiscal years 1978 to 1981. (See ch. 2.)

SPECIAL PROGRAMS DIVISION

GSA's Special Programs Division, which provides procurement support primarily to the Agency for International Development (AID) and the Department of State, is hampered by restrictive agreements which require GSA to purchase items on an extensive sole-source basis. GAO believes that many of these items could be procured competitively.

Furthermore, when procuring items not designated sole source, the Division is not always obtaining adequate cost and pricing data and cannot assure reasonable prices. (See ch. 3.)

GSA REGIONAL OFFICES

In their efforts to provide customers with nonstores items, the GSA regions are unnecessarily placing orders for Federal Supply Schedule items to be procured through the nonstores program.

GAO found that GSA regional nonstores purchases of schedule items accounted for 40 percent and 51 percent in fiscal years 1979 and 1980, respectively, of total nonstores regional procurements. Because of a GSA and Defense Logistics Agency agreement, many of these purchases were for

overseas military installations. GAO believes that schedule items could be procured directly from the vendor by the requesting agency. (See ch. 4.)

RECOMMENDATIONS

GAO recommends that the Administrator of General Services:

--Provide a more realistic time frame for agencies to submit automobile requirements, advise agencies of the benefits to be derived from timely consolidation, and refuse agency requirements not submitted in time for annual consolidated procurement. (See p. 10.)

--Modify the agreements whereby GSA acts as the purchasing agent for AID and State and require these agencies to provide GSA with adequate sole-source justification. (See p. 16.)

--Where required, obtain accurate, current, and complete cost and pricing data for all negotiated noncompetitive contracts made in behalf of AID and State. (See p. 17.)

--Initiate discussions with the Defense Logistics Agency to modify the agreement whereby GSA acts as the procuring agent for Army and Air Force overseas military installations. These installations (or stateside purchasing offices designated to act on their behalf) should procure directly from schedule vendors unless direct procurement is not feasible or practical; in which case, GSA will process the purchase orders. (See p. 22.)

AGENCY COMMENTS AND OUR EVALUATION

Motor vehicle procurements

GSA partly concurred with GAO's recommendation regarding motor vehicle consolidation. It agreed that the current motor vehicle consolidation dates should be revised and that agencies should be advised of the need for timely consolidation. However, GSA believes that having one annual consolidated procurement for automobiles has not proven successful, and it intends to establish three consolidated procurements a year.

GAO believes that having three consolidated procurements, if effectively pursued, is a good first step and should result in significant savings. Nevertheless, GAO believes that GSA should strive toward the goal of one consolidated procurement and achieve the maximum savings.

GSA did not concur with GAO's recommendation that agency requirements not submitted in time for consolidation should be refused. According to GSA, returned requirements will result in either local purchases at higher costs or the inability of agencies to obtain the needed vehicles. GAO believes that allowing agencies to submit requirements at their own discretion will perpetuate the low number of requirements submitted for consolidation. High prices will be obtained as long as the number of vehicles procured is for small quantities irrespective of whether GSA or the agency makes the purchase. Thus, GAO still endorses its recommendation. (See p. 12.)

Procurements for AID and State

GSA did not concur with GAO's recommendation that GSA modify its agreements with AID and State and require these agencies to provide GSA with sole-source justification. GSA believes this recommendation should be directed to AID and State and these agencies should maintain the necessary justification internally. AID contends that the documentation it prepares is sufficient even though GAO concluded that only 4 of the 15 requisitions reviewed were supported properly. State concurs that its agreement should be modified and has expressed its willingness to assume total procurement responsibility.

GAO believes that GSA and AID should recognize their respective roles as contract office and requisitioning agency. GSA must have all necessary information in order to exercise responsible procurements.

Concerning GAO's recommendation that GSA obtain cost and pricing data on noncompetitive contracts, GSA stated that if such data was not obtained on past contracts, proper procedures would be utilized in the future. (See p. 18.)

Schedule items procured
through the nonstores program

GSA concurred with GAO's recommendation on schedule items. Concerning GAO's recommendation that the GSA and Defense Logistics Agency agreement be modified, the Department of Defense noted that the recommendation could not be implemented using its existing resources. (See p. 23.)

GAO recognizes that DOD may require some additional resources to achieve this recommendation. GAO's position, however, is that the total resources now applied to this effort would be reduced if GSA were to discontinue this function. (See p. 23.)

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ABBREVIATIONS

AID	Agency for International Development
FPMR	Federal Property Management Regulation
FSS	Federal Supply Service
GAO	General Accounting Office
GSA	General Services Administration

CHAPTER 1

AN OVERVIEW OF THE NONSTORES PROGRAM

The Congress, through the Federal Property and Administrative Services Act of 1949, created the General Services Administration (GSA). The act provided, in part, that GSA should develop an efficient and economical system for procuring and supplying personal property and nonpersonal services for most Government agencies. Accordingly, the act authorizes the Administrator of General Services to (1) prescribe policies, regulations, and methods for procurement and supply, (2) procure and supply personal property and nonpersonal services for executive agencies, and (3) survey and obtain reports on agencies' procurement and property management practices.

The Federal Property Management Regulations (FPMRs), which were issued by GSA, interpret the act. The FPMR provides that agencies obtain goods and services from GSA, when available, rather than from other sources, especially when they will serve the desired functional end use. If agencies determine that this end use will not be served by GSA items, the FPMR requires the agencies to request waivers from GSA to purchase from non-Government sources. The FPMR also authorizes agencies to procure directly from commerical sources (1) in emergency situations, (2) when the item is perishable in nature, or (3) when GSA determines that such procurement will produce the greatest economy to the Government.

GSA PURCHASING PROGRAMS

The Federal Supply Service (FSS), with the assistance of 11 regional offices, is responsible for making common-use items available to Federal agencies. (See app. I for the location of each regional office.) Each region, together with FSS headquarters, administers three basic procurement programs: (1) Federal Supply Schedule, (2) stores, and (3) nonstores. These programs accounted for approximately $2.85 billion in Government sales in fiscal year 1980, as shown in the following schedule.

Program	Fiscal year 1980 sales (millions)
Federal Supply Schedule	$1,648.3
Stores	774.3
Nonstores	428.4
Total	$2,851.0

Federal Supply Schedule program

Under this program, FSS contracts with commercial firms to provide supplies and services at set prices for a given time period. Agencies place orders directly with contractors listed on various schedules and are billed by the vendors. The program currently provides more than 4 million items.

Stores program

FSS purchases approximately 22,000 common-use items and stocks them in regional distribution facilities, consisting of 16 supply depots and 69 self-service stores. Agencies order items from GSA supply catalogues or the self-service stores.

Nonstores program

In essence, the nonstores program is a catchall activity. It provides items which are unavailable either through the stores or schedule program. Such items may include aircraft and family planning commodities. It also offers such services as

--consolidated procurement of certain commodities such as motor vehicles;

--procurement services, upon request, for any agency without adequate "in-house" procurement capability;

--export packing and shipping when required; and

--special procurement services, by arrangement, with certain civilian agencies and overseas military installations.

Under this program, GSA enters into both advertised and negotiated contracts for items or services to be furnished directly by vendors to an agency. For most nonstore services, the agency pays the vendor.

ELEMENTS OF THE NONSTORES PROGRAM

For fiscal year 1980, GSA nonstore purchases totaled about $428 million. The following schedule shows the several organizations that manage the program.

Nonstores Procurement Volume For Fiscal Year 1980

GSA organization	Purchases (millions)	Percent
National Automotive Center	$293.8	68.6
Special Programs Division	32.5	7.6
Regional offices	95.4	22.2
Miscellaneous	6.7	1.6
Total	$428.4	100.0

National Automotive Center

According to FPMR 101-26.501-1, all executive agencies are required to submit requisitions to GSA for the purchase of all new automobiles and most trucks. In addition, through executive agreement, GSA is responsible for the purchase of U.S. Postal Service vehicles. As a result of these responsibilities, the National Automotive Center was established within FSS in 1975 as the central procurement activity for motor vehicles. In October 1980, the Automotive Center was transferred to GSA's Transportation and Public Utilities Service.

Special Programs Division

The Special Programs Division was created in 1967 to provide procurement and contract administration services in connection with unique and nonrecurring requirements. Most of the procurements are in support of the Agency for International Development (AID) and the Department of State's International Narcotics Matters. Commodities purchased for AID include various types of family planning items, such as oral contraceptives and intrauterine devices. Items purchased for State include aircraft, communication equipment, and helicopters.

Regional offices

If an agency is unable to procure an item from either the stores or schedule program, the agency may request the applicable GSA region to arrange for such procurement. Consequently, the regions may make nonstores purchases on a definite quantity basis with direct delivery to the agency. In addition, allied services, such as export packing and shipping, are provided.

OBJECTIVES, SCOPE, AND METHODOLOGY

Our review was performed in accordance with our current "Standards for Audit of Governmental Organizations, Programs, Activities, and Functions." We assessed GSA's effectiveness in:

--Consolidating agency motor vehicle requirements and providing assistance to agencies in such consolidations.

--Determining whether prices charged by vendors were properly and adequately supported.

--Obtaining cost and pricing data on negotiated procurements.

--Providing items to Federal agencies on either a one-time or recurring need basis.

We made our review from December 1980 to May 1981 at GSA/FSS headquarters, Arlington, Virginia; GSA regional offices in Fort Worth, Texas, and Washington, D.C.; and AID and Department of State headquarters, Washington, D.C. We also visited regional headquarters of Ford, General Motors, and Chrysler. We held discussions with 11 GSA customer agencies and examined procurement files, management studies, internal audit reports, Federal procurement regulations, and other documents.

With regards to automobile procurements, we reviewed all annual GSA consolidated purchases made from fiscal years 1978 through 1981. Because automobile purchases comprise a significant volume of GSA motor vehicle procurements, we decided that a 4-year time span would provide a historical perspective of GSA's consolidation efforts. We compared the actual annual consolidated purchase for each fiscal year with the quantity which should have been procured using the 75-percent FPMR standard.

For our review of light, two-wheel drive truck procurements, we examined fiscal year 1980 data relative to the total number of vehicles purchased in three required consolidated procurements. Once again, we compared actual consolidated purchases with the quantity that should have been purchased using the 75-percent FPMR standard.

Since annual consolidation is not required for heavy vehicle procurements, which include light, four-wheel drive trucks, we reviewed 77 contracts for fiscal year 1980. The value of these contracts was $29.7 million and represented 45 percent of total heavy vehicle purchases ($66.0 million). These contracts were examined for adequacy of competition, negotiation procedures, and price analyses.

Concerning our review of the Special Programs Division's operations, we concluded that our objectives would best be

served by examining all contracts over $100,000 and selected contracts between $10,000 and $100,000 which the Division had negotiated for AID and State during fiscal years 1979 and 1980. Because of the diverse nature of these contracts in terms of dollar value and types of items procured, a strict statistical sampling approach was not used. However, as shown in the following schedule, we believe that the number and value of contracts reviewed provide a reasonable basis for assessing the Division's operations.

Comparison Between Total Dollar Value of GSA Special Programs Division's Contracts and Dollar Value of Contracts Reviewed

	Fiscal year 1979	Fiscal year 1980
Total dollar value of contracts awarded	$59,870,090	$34,821,269
Total sales to GSA customers resulting from contracts awarded	$46,839,530	$32,474,719
Number of contracts examined		
AID	15	25
State	15	9
Dollar value of contracts examined	$31,733,372	$31,865,029
Percentage of dollar value of contracts examined to total contract dollar value	53.0	91.5

Our review of GSA regional office nonstores procurements was based on work performed at the National Capital and Fort Worth regional offices. These offices were selected because, during fiscal year 1980, their nonstores sales accounted for $24.6 million or 26 percent of total GSA regional office nonstores volume. Furthermore, these regions are major offices for furnishing nonstores overseas supply support.

Using statistical sampling techniques to achieve a 95-percent confidence level, we randomly selected 484 orders from 4,064 fiscal year 1980 purchase orders valued at $500 or more. Also, using judgmental sampling, we reviewed 66 nonstores negotiated contracts valued at $10,000 or more. Each purchase order and contract was reviewed for (1) number of firms solicited and bids received, (2) cost and pricing data, (3) vendor, and (4) method of procurement.

CHAPTER 2

IMPROVEMENTS NEEDED IN GSA'S MOTOR VEHICLE PROCUREMENT PROGRAM

The Government is not realizing potential savings of millions of dollars each year because GSA is not consolidating Government-wide motor vehicle requirements. GSA has achieved negligible consolidation rates despite the fact that the FPMR requires agencies to submit at least 75 percent of their total annual automobile and light, two-wheel drive truck requirements to GSA for inclusion in four annual consolidated procurements. One consolidated procurement is to be made for automobiles and three consolidated purchases are to be made for light trucks.

Effective consolidation is precluded primarily because GSA has been unsuccessful in obtaining agency requirements within prescribed time limits. Further, GSA could have, but has not, taken advantage of the opportunity to consolidate late vehicle requirements received after the volume procurement had been made.

REQUIRED CONSOLIDATION CAN BE IMPROVED

The FPMR stipulates that automobile requirements must be submitted to GSA by November 15 of each fiscal year to be included in the annual consolidated procurement. Requirements for the three consolidated procurements for light, two-wheel drive trucks must be submitted by August 15, December 31, and April 15.

However, as the following schedule shows, GSA is far from meeting the 75-percent FMPR standard in its consolidated automobile procurements.

	Requirements					Actual consolidation as a percentage of total capable of consolidation
Fiscal year	Total submitted for procurement	Total capable of consolidation	75-percent minimum	Actual consolidation	Not consolidated	
1978	20,178	18,674	14,005	10,449	3,556	55.9
1979	18,777	9,579	7,184	708	6,476	7.3
1980	18,265	11,932	8,949	431	8,518	3.6
1981	16,726	4,106	3,079	520	2,559	12.6

Similarly, the three volume procurements for light, two-wheel drive trucks during fiscal year 1980 show a lack of consolidation. Although agencies submitted requirements for 16,263 light trucks during the year, the three consolidated procurements achieved a combined consolidation rate of only 12.8 percent based on 2,090 vehicles.

Insufficient time allowed for requirements submission

The limited time given to agencies for identifying and submitting their automobile requirements precludes effective consolidation. The GSA-imposed November 15 deadline gives agencies only 1-1/2 months from the beginning of the fiscal year in October to submit their funded requisitions for inclusion in a consolidated procurement. Until an agency's budget is approved, the agency cannot submit requisitions to GSA.

According to GSA officials, the November 15 deadline was imposed so that contracts could be awarded before December 25 to take advantage of industry downtime, thus ensuring prompt deliveries. Further, GSA officials said that the Automotive Center does not have sufficient staff to assist agencies in meeting this deadline.

As shown in the following schedule, for fiscal years 1979 and 1980, civilian agencies submitted 69 percent and 75 percent, respectively, of their total automobile requirements to GSA during the first 3 months of the fiscal years. However, most of these requirements were submitted in December, after the November 15 deadline. (Because of GSA recordkeeping procedures, military agency requirements could not be identified on a monthly basis.)

Number of Automobile Requirements Submitted By Civilian Agencies During Fiscal Years 1979 and 1980

	No. of vehicles for fiscal year	
Month	1979	1980
October	188	2,964
November	1,295	181
December	6,438	4,725
Total	7,921	7,870
January	508	125
February	457	284
March	201	551
April	1,331	97
May	50	725
June	87	159
July	392	221
August	63	42
September	550	456
Total	11,560	10,530

This data indicates that if GSA were to delay the requisition submission date from mid-November to late December, a larger procurement could be made, leading to better prices and and greater savings.

Motor industry views

Automobile industry officials said that while they prefer to have large orders between January and March, which is a slack production period, they would still accept Government orders through the beginning of April, without affecting delivery. Ford and Chrysler officials also indicated that orders placed late in the model year would not necessarily be higher priced than orders placed early. Ford, Chrysler, and General Motors stated that, although market conditions and annual sales affect price, a truly consolidated annual procurement would be welcomed. A large volume procurement would allow them to better plan their production schedules and thus lower prices to the Government.

MORE EFFECTIVE CONSOLIDATION COULD RESULT IN SIGNIFICANT SAVINGS

To illustrate the potential unrealized savings from the poor consolidation of automobile requirements, we compared the number and price of automobiles procured on a consolidated basis with those which were not.

The following schedule shows the estimated unrealized savings for fiscal years 1978 to 1981. This amount also reflects adjustments made for actual annual consolidated procurements made in each fiscal year.

Fiscal year	Requirements not consolidated	Avg. price per vehicle Not consol.	Avg. price per vehicle consol.	Value of requirements Not consol.	Value of requirements If consol.	Estimated unrealized savings
1978	3,556	$4,924.53	$3,595.13	$17,511,629	$12,784,282	$ 4,727,347
1979	6,476	6,687.61	4,881.96	43,308,962	31,615,573	11,693,389
1980	8,518	6,436.00	4,698.28	54,821,848	40,019,949	14,801,899
1981	2,559	$5,842.45	$4,264.99	14,950,830	10,914,109	4,036,721
Total	21,109			$130,593,269	$95,333,913	$35,259,356

The column heading "Average Price Per Vehicle-Consolidated" reflects both actual and estimated averages. Fiscal year 1978 average prices are actual figures obtained from GSA contract files. The average prices for fiscal years 1979 to 1981 are estimates based on the percentage difference between the fiscal year 1978 average price and the fiscal year 1978 consolidated procurement average price.

We chose fiscal year 1978 as a benchmark since the annual consolidated procurements represented the largest percentage (55.9 percent) of total automobile requirements during our time frame. In fiscal year 1978, the FPMR required two automobile consolidated procurements, using cutoff dates of October 1 and February 15. However, after fiscal year 1978, the FPMR required only one annual automobile consolidation.

We believe that the prices paid per vehicle in the 1978 procurements are more indicative of a true consolidated price. Our calculations show "Estimated Unrealized Savings" as the difference between the actual total dollar value of automobile requirements and estimated total dollar volume, assuming 75 percent of the total procurement was made at the consolidated procurement average price.

Even though the fiscal year 1978 amounts were used as a benchmark, we believe that an even better price would have been obtained had the actual consolidated procurements been closer to 75 percent, as required by the FPMR. Consequently, we believe that the estimated unrealized savings of $35.2 million is a conservative amount. Similarly, we believe a better per vehicle price could have been obtained for light, two-wheel drive trucks had the consolidation rate in each of the three procurements been greater.

NUMEROUS MONTHLY PROCUREMENTS DEFEAT ANNUAL CONSOLIDATED PROCUREMENTS

Not all automobiles and light, two-wheel drive trucks can be included in the annual consolidated procurements. For such vehicles, the FPMR permits GSA to make monthly consolidated procurements.

We found that GSA had issued 39 solicitations for automobiles from November 1979 to July 1980 for an average of 4 procurements a month. Furthermore, GSA issued 73 solicitations for light, two-wheel drive trucks during fiscal year 1980 for an average of 6 procurements a month.

GSA processes agency requirements regardless of when it receives them and thus nullifies the economics of the annual consolidated procurement.

CONCLUSIONS AND RECOMMENDATIONS

The Congress has assigned GSA the responsibility to procure motor vehicles in the most economical and efficient manner. Accordingly, GSA established one automobile and three light truck annual consolidated volume procurements which were designed to effect savings. However, consolidation is not taking place on the scale the FPMR requires.

According to the three major automobile manufacturers, a true consolidated annual procurement would result in lower prices to the Government. Further, the manufacturers would still accept an order for an annual consolidated procurement even with a later requirements cutoff date.

We believe that GSA must consolidate agency motor vehicle requirements to the greatest possible extent to maximize savings. A more realistic time frame should be allowed for agencies to submit their automobile requirements to GSA. Although we recognize that the FPMR permits three consolidated purchases for light trucks a year, we believe that GSA needs to explore the possibility of having only one annual purchase for light trucks. Further, GSA needs to advise agencies of the benefits to be derived from consolidation and refuse agency requirements not submitted in time for the annual consolidated procurements.

Accordingly, we recommend that the Administrator of General Services:

--Provide a more realistic time frame for agencies to submit automobile requirements by delaying the cutoff date from mid-November to at least late December.

--Make only one annual consolidated automobile procurement.

--Make only three consolidated procurements for light trucks a year in accordance with the time frames established by the FPMR. Further, GSA should explore the possibility of having only one annual consolidated procurement for light trucks.

--Ensure that agencies are aware of the need to meet the consolidated procurement cutoff dates and of the added costs involved in satisfying their motor vehicle requirements when these dates are missed.

--Refuse agency requirements not submitted in time for the annual consolidated procurements other than vehicles required on an emergency basis.

AGENCY COMMENTS AND OUR EVALUATION

In reviewing our draft report, GSA commented that the data presented in our schedules is misleading because GSA procures a large number of vehicles each year which cannot be included on any consolidated procurement. Such purchases are most often made for leased and law enforcement vehicles. Concerning law enforcement vehicles, GSA contends that some agencies require a mix of vehicles for surveillance activities, and these vehicles should interface with those of the general population.

GSA stated that the FPMR requirement for agencies to submit 75 percent of their needs for consolidated procurement must be interpreted to mean 75 percent of those vehicles that can be so purchased. This fact is not clear in the FPMR and GSA stated that it will be clarified.

Accordingly, GSA provided us with revised data for fiscal years 1978 to 1981 showing the number of vehicles acquired in each fiscal year, adjusted for those requirements in which GSA believes consolidation was not feasible. As a result of incorporating this data, as appropriate, we eliminated leased vehicles from our schedules but did not adjust our schedules for law enforcement vehicles for the following reasons.

According to the FPMR, sedans and station wagons (including law enforcement vehicles) procured under annual volume consolidation are to be purchased in accordance with Federal Standard Number 122T. This standard is to be used for competitive procurement of new passenger and law enforcement vehicles and is designed to achieve a practical degree of standardization in the Government's automobile fleet. Further, although GSA maintains that law enforcement vehicles cannot be procured under an annual consolidated procurement, we found that GSA has awarded competitive contracts for such vehicles under annual volume procurement. Consequently, this demonstrates that law enforcement vehicles can be procured on an annual consolidated basis. While we recognize that not all law enforcement vehicles can be procured on a consolidated basis, we believe that they should be procured on a volume basis where feasible and practical.

GSA's main points on our recommendations are addressed below.

Delay the requirements submission cutoff date and make only one consolidated procurement for automobiles and three procurements for light trucks

GSA agrees that the current FPMR consolidation dates should be revised, especially for automobiles. However, GSA believes that having only one consolidated automobile procurement has not proven successful and does not meet the Government's needs. Consequently, GSA intends to establish three annual consolidated procurements for automobiles and to revise the three consolidation periods for light trucks.

We believe that having three consolidated procurements for automobiles, if effectively pursued, is a good first step and should result in significant savings. Nevertheless, we believe that GSA should establish one consolidated procurement.

Regarding GSA's proposed revision of the three consolidation periods for light trucks, our recommendation is directed

toward having GSA make no more than three annual procurements. Also, we still believe that GSA should explore the possibility of having only one consolidated truck procurement to increase consolidation even further.

Advise agencies of the need to meet cutoff dates and of the added costs when these dates are missed

GSA believes that the proposed FPMR revisions to the consolidation dates will comply with this recommendation. Further, GSA states that it has already begun to inform customer agencies, through various meetings and conferences, of the revisions. According to GSA, the revisions will be given to all agencies and discussed with as many as possible.

Refuse agency requirements not submitted on time other than for vehicles required on an emergency basis

GSA disagrees with this recommendation. According to GSA, returning agency requirements will be costly and detrimental to the Government's mission. Returned requirements will result in either agencies buying vehicles at higher than normal costs or losing funds and the ability to obtain the needed vehicles to perform their functions.

We believe that allowing agencies to submit requirements at their own discretion can only serve to perpetuate the low number of requirements submitted for volume procurement. We also believe that high prices will be obtained as long as the number of vehicles procured is small, regardless of whether GSA or the agency makes the procurement. Consequently, we continue to believe that our recommendation is a valid one.

CHAPTER 3

THE GSA SPECIAL PROGRAMS DIVISION IS HAMPERED BY RESTRICTIVE PROCUREMENT AGREEMENTS

As a result of restrictive procurement agreements entered into with AID and State, the GSA Special Programs Division is prevented from performing effective procurement. In large part, these agreements require the Division to accept and process sole-source requisitions without question. Consequently, it finds itself in an awkward position because it is operating under terms and conditions which restrict competitive procurement. Also, when procuring requisitioned items not designated as sole source, the Division does not exercise efficient contract award procedures.

RESTRICTIVE PROCUREMENT AGREEMENTS LIMIT COMPETITION

In large part, the agreements among GSA, AID, and State require the Division to make sole-source procurements without having ascertained that the sole-source justifications have been documented by AID or State. Further, AID and State infrequently support their decisions to procure sole source.

Although no contracts were advertised, the Division's purchases for AID and State during fiscal years 1979 and 1980 totaled $46,839,530 and $32,474,719, respectively. We reviewed 15 fiscal year 1979 contracts each for AID and State for a total of 30 having a value of $31,733,372. The fiscal year 1980 sample included all contracts for AID and State over $50,000 and 40 percent of those under $50,000 for a total of 34 contracts with a value of $31,865,029. Of the 64 contracts, 40 were sole source, and 24 were negotiated, the result of soliciting more than one vendor which could be considered competitive.

Agreements make GSA responsible for sole-source procurements

The Foreign Assistance Act of 1961 authorized and directed agencies engaged in foreign assistance activities to use the facilities of existing agencies wherever practical. On September 9, 1967, AID and GSA entered into an agreement which allowed AID to use GSA procurement services. The agreement also arranged for GSA to make "open market procurement of items not available through established GSA supply programs." State entered into a similar agreement with GSA in October 1978.

These agreements supposedly free GSA from being responsible for sole-source procurement decisions made by AID and State. The requesting agency merely includes the phrase "Negotiated procurement of the specific items covered by this request is authorized

under the provisions of the Foreign Assistance Act of 1961, as amended," on each sole-source request. Consequently, GSA does not request justification from AID or State to support the decision to procure sole source. The agreements note that the requesting agency "will assume full responsibility for answering all questions concerning the necessity for proprietary (sole source) procurements."

Since GSA does not prepare the justification to procure sole source, we requested AID and State to provide support for 35 of the sole-source requests noted in our sample. We found that AID and State keep only informal records, frequently fail to document the decision to make a sole-source procurement, and have no central control point where all elements are reviewed before a procurement request is submitted to GSA. We concluded that only 4 of the 15 AID sole-source requests had preaward documentation which could be considered adequate support for sole-source procurement. AID officials maintain that because the agency is not the contracting office, AID does not prepare "Findings and Determinations" which are factual statements justifying sole-source procurements. Moreover, they said that AID does keep supporting information on file. Similarly, from our review of 20 State sole-source purchase requests, we found that only 5 contained adequate preaward documentation. Both agencies were unable to provide justification for noncompetitively procuring such items as contraceptives, communication equipment, helicopters, and aircraft valued in excess of $4.85 million.

We believe GSA contracting officers who sign AID and State contracts are in a weak contracting position. In essence, GSA is requested to make sole-source purchases for which adequate supporting justification does not exist. As a result, GSA is an order processor. A GSA internal audit report of June 22, 1979, drew a similar conclusion and observed that "Under this arrangement GSA's contracting officers have become the implementors of AID policy as opposed to acting as independent contracting officers." In abiding by its interagency agreements, we believe GSA has lost the standard contracting options of advertisement or competitive negotiation.

THE DIVISION DISPLAYS WEAK CONTRACT AWARD PROCEDURES

Although the majority of contracts awarded by the Division were designated for sole-source procurement by AID and State, we found that the Division did not exercise efficient contract award procedures when competition was permitted. The Division has been ineffective in obtaining adequate cost and pricing information to assure reasonable prices and in establishing adequate competition.

Inadequate cost and pricing data does not assure reasonable prices

The awarding of a noncompetitive negotiated contract for more than $100,000 is generally contingent upon the receipt of adequate and certified cost and pricing data, but the Division has made awards without such data. There are exceptions to the cost and pricing data requirement, but often the Division's reasons for not obtaining such data did not comply with the exception criteria. According to the Federal Procurement Regulations, obtaining cost and pricing data is not required when the contracting officer finds that the price to be negotiated is based on adequate price competition, published catalog or market prices for commercial items sold in substantial quantities to the general public, or prices set by law or regulation. Also, an agency head or an authorized designee may sometimes waive the requirement if the reasons are given in writing.

The Division analyzed price proposals for 11 noncompetitive contracts which were awarded for such commodities as oral contraceptives, prophylactics, and motor vehicles. Three of these contracts valued at $15,691,749, or 78 percent of the total $20 million, were awarded without obtaining cost and pricing data. Further, the reasons for not obtaining such data did not comply with the authorized exceptions.

We reviewed these contracts and noted that the Division did not obtain cost and pricing data because it acceded to agency pressure and the vendor's refusal to provide the data. In another case, the Division said that adequate information was available from other sources. And in a third case, the contract files gave no explanation for not requesting cost and pricing information.

Price was sometimes supported by data from previous contracts which were inadequately supported or were not recent enough to be applicable. Concerning GSA's use of outdated information to support price, an August 1979 memorandum from GSA's Assistant Administrator for Acquisition and Supply Policy stated that 2-year old prices are not considered current or recent. The memorandum noted that stronger efforts should be made to secure cost and pricing data or provide additional support for exempting such data.

Although the FPMR requires each executive agency to purchase its automobiles and trucks through GSA, specifically, the Automotive Center, we noted that the Division routinely procured motor vehicles for AID and State. For example, in fiscal years 1979 and 1980, the Division awarded four motor vehicle contracts for $530,682 and each was over $100,000 in value. To establish reasonableness of price, the Division used inadequate references, such as the United Buying Service Guide or the National Auto Research Black Book, and made the disclaimer that exact price comparison was not feasible due to the wide variety of optional features.

Most of the vehicles procured noncompetitively by the Division were standard models which the Automotive Center procures routinely under competitive procurement. AID and State officials maintain that they send vehicle requests to the Division and not the Automotive Center because the vehicles are specialized. However, we found that all the vehicles purchased by the Division were no more uncommon than the ones procured by the Automotive Center. We believe that the motor vehicle requirements of AID and State could be incorporated into the annual consolidated procurements made by the Automotive Center and thus obtain the benefits of volume purchases.

Inadequate competition

We found that many negotiated awards, both over and under $100,000 in value, were considered competitive by the Division, although only one proposal was submitted for each solicitation. For example, of the 24 negotiated contracts in our sample, 12 were made to a sole offeror. In addition, AID and State pressured GSA to make an award as quickly as possible. This affects competition by eliminating publication of a solicitation synopsis in the Commerce Business Daily and by shortening the time available for proposal submissions.

When solicitation of more than one vendor elicits only one proposal, the Division has not always adequately explored the reasons for lack of proposals, although a GSA internal audit report stresses the necessity to do so. Since every effort should be made to ensure competition for such items as communication equipment, medical supplies, and contraceptives, we believe the Division's inconsistency in seeking explanations for the lack of vendor proposals has a continuing effect on future competition.

CONCLUSIONS AND RECOMMENDATIONS

Because of restrictive agreements with AID and State, it is doubtful that the Division can efficiently and effectively provide procurement services. In effect, these agreements require GSA to process sole-source requests without question. Furthermore, in its procurement of items not designated for sole-source procurement by AID or State, the Division has displayed weaknesses in contract award procedures by not always obtaining adequate cost and pricing data and thus assuring reasonable prices under noncompetitive conditions.

We recommend that the Administrator of General Services:

--Modify current agreements whereby GSA acts as the purchasing agent for AID and State and require these agencies to provide GSA with adequate justification for all sole-source purchase requests. These justifications should indicate why competition is not feasible or practical.

--Where required, obtain accurate, current, and complete cost and pricing data for all negotiated noncompetitive contracts made in behalf of AID and State. Where such data cannot be obtained, GSA should fully document the decision to waive the cost and pricing data requirements.

--Require AID and State to submit all requests for motor vehicles to the National Automotive Center for competitive procurement.

--Explore the reasons for not obtaining sufficient vendor proposals on negotiated procurement solicitations and use this information to secure adequate future competition.

AGENCY COMMENTS AND OUR EVALUATION

Comments were obtained from GSA, AID, and State and centered on our recommendations as discussed below.

Modify the agreements among GSA, AID, and State requiring AID and State to provide justification for sole-source purchases

GSA believes this recommendation should be directed specifically to AID and State, requiring them to document their decisions to procure sole source and maintain this documentation internally. As a result, GSA contends that the agreements should not be modified.

AID maintains that the documentation it prepares is sufficient and that GSA should not be provided with sole-source justification. AID further contends that if GSA were to be provided with justification, GSA would not be in a position to question the procurement.

State concurs that its agreement with GSA fragments procurement responsibility and believes that procurement responsibility should rest with it.

While we agree that AID and State should document their procurement decisions, we take issue with GSA's "hands off" approach in not requiring sole-source procurement justification from AID and State. GSA must recognize that final contract responsibility in awarding sole-source contracts rests with it, not AID or State. By accepting sole-source requests from AID and State without question, GSA loses the standard contracting options of advertisement or competitive negotiation.

We disagree with AID's comment that its sole-source documentation is sufficient. As our report states, of the 15 AID sole-source requests reviewed, only 4 had adequate preaward

documentation. Recognizing that only AID can determine its requirements, we believe that AID should also recognize its responsibility to provide GSA with all necessary sole-source documentation. GSA must have this information to properly discharge its contracting responsibility and exercise effective procurement.

Obtain cost and pricing data for all negotiated noncompetitive contracts

According to GSA, its legal counsel is consulted in determining the need for cost and pricing data on negotiated noncompetitive contracts. However, GSA stated that if it has not been requiring such data on previous contracts, proper procedures will be followed in the future.

Require AID and State to submit all motor vehicle requests to the Automotive Center

GSA expressed concern about the Division presenting "one face" to AID and State for coordinating vehicle purchase requisitions. The Division processes and coordinates all AID and State requisitions and, consequently, vehicles should not be treated differently.

AID and State also expressed reservations about including vehicles destined for overseas missions in a consolidated procurement. Because of unique overseas funding situations, consolidation may not be possible. However, AID is willing to discuss the matter with the Automotive Center.

We still endorse the concept of AID and State vehicles for overseas delivery being included in the annual consolidated procurement. However, we recognize that such a procurement may not always be feasible. Our recommendation is primarily geared to transferring such vehicle requisitions from the Division to the Automotive Center. We believe such a transfer would permit consolidation, increase competition, and result in more favorable prices.

Explore the reasons for not obtaining sufficient vendor proposals on solicitations

GSA stated that it does make inquiries as to why vendors are not submitting proposals on solicitations. However, we noted that these inquiries primarily pertain to oral contraceptive manufacturers. In the past several years, GSA has had difficulty in obtaining competition on its oral contraceptive solicitations. Only one bid has resulted from each solicitation since 1972.

Nevertheless, continuing requirements from AID and State for such items as communication equipment and medical supplies have

resulted in poor competition. We maintain that GSA should analyze the poor response rate on these solicitations and improve competition.

CHAPTER 4

QUESTIONABLE NONSTORES SERVICE PROVIDED BY GSA REGIONAL OFFICES

In an effort to provide an agency with nonstores items, the regional offices find themselves unnecessarily placing orders for Federal Supply Schedule items through the nonstores program. This questionable practice hampers the original objectives of nonstores procurement which are to provide goods unavailable in either the stores or schedule program and to assist agencies without adequate procurement capability. Consequently, GSA is unnecessarily devoting valuable resources which could be better used to process true nonstores requisitions.

FEDERAL SUPPLY SCHEDULE PROGRAM OBVIATES MANY NONSTORES PROCUREMENTS

Even though the Federal Supply Schedule program was designed for direct access by GSA customers, our review disclosed that requisitions for schedule items purchased through the nonstores program comprised a significant percentage of total regional office nonstores volume, as shown in the following chart.

Fiscal year	Total nonstores regional procurements	Nonstore procurements of schedule items	Percent
1979	$154,057,014	$61,665,339	40
1980	$ 95,449,108	$49,014,186	51

Several GSA regions find themselves in a situation where they are inundated with nonstores requisitions for schedule items. For example, within the National Capital Region and Region 7, of 21,492 nonstores purchase orders processed during fiscal year 1980, 13,199 orders, or 61 percent, were placed against schedule items. Also, Regions 2, 4, 6, and 9 have informed GSA's Office of Supply Policy that their nonstores workload has increased at an alarming rate. This has resulted in a severe strain on limited resources and in a backlog of unprocessed nonstores requisitions, some of which are more than 90 days old.

Restrictive agreement contributes to the problem

The primary customer utilizing the nonstores program for schedule items is the military. From our statistical sample of 484 National Capital Region and Region 7 nonstores purchase orders processed during fiscal year 1980, we noted that 301 orders, or 62 percent, were for schedule items procured through the nonstores program and were for military overseas delivery.

The military's use of GSA for purchasing schedule items is based on a Memorandum of Understanding between GSA and the

Defense Logistics Agency. On July 1, 1969, GSA and the Defense Logistics Agency agreed that GSA would procure schedule items for Army and Air Force activities at overseas locations. This support requires that a GSA regional office, upon receiving a requisition from an overseas military installation, order directly from a schedule vendor. According to a GSA regional office representative, overseas installations have copies of Federal Supply Schedules which enable them to describe fully the item to be purchased. Consequently, the requisition, as received by a regional office, cites the item, quantity, vendor, and other information necessary for procurement. GSA, however, must convert the requisition to a purchase order and then submit the order to a vendor. The vendor, in turn, ships the item to the appropriate U.S. Army or Air Force consolidation point, where it is sent overseas.

There were also several instances of domestic military installations procuring schedule items through the nonstores program. Officials at five of these domestic military installations agreed that their requisitions should have gone directly to the appropriate vendors. They cited a lack of research and experience and the custom of ordering any item with a National Stock Number through GSA as reasons for not placing orders directly with vendors.

In fact, Region 7 management is considering rejecting all military and civilian requisitions for schedule items to be procured through the nonstores program because such a practice is straining its resources. In an October 1979 memorandum, GSA Region 7 advised the Acting Commissioner, FSS, that (1) nonstores support policy should be the same for all customers, military or civilian, and (2) civilian agencies should be educated to better use the Federal Supply Schedule program.

In a February 6, 1981, memorandum to the FSS Assistant Commissioner for Supply Policy, the Assistant Regional Administrator for FSS (New York) argued that concerning domestic and overseas nonstores purchase orders for schedule items

> "* * * FSS has accomplished its primary function by providing the source of supply and that agencies should use that source as contemplated by the schedule concept."

The Assistant Regional Administrator recommended that FSS return any requisition which can be placed against a Federal Supply Schedule. We agree, in principle, with this recommendation. GSA created the Federal Supply Schedule program so that agencies could place orders directly from schedule vendors and pay the contractors directly. We believe it is redundant for an agency to use GSA to make schedule purchases through the nonstores program unless the agency has truly demonstrated inadequate procurement capability.

CONCLUSIONS AND RECOMMENDATIONS

The objectives of the GSA nonstores program are to provide supplies which are unavailable in either the stores or schedule program and to assist agencies without adequate procurement capability. We believe these purposes have been hampered by the large number of schedule purchases being made through the nonstores program, especially by overseas military installations.

To meet the objectives of the nonstores program, we recommend that the Administrator of General Services:

--Advise domestic agencies that nonstore requisitions for schedule items will be returned unless the agencies have demonstrated inadequate procurement capability.

--Initiate discussions with the Defense Logistics Agency to modify the agreement whereby GSA acts as the procuring agent for Army and Air Force overseas military installations. These modifications should include:

1. Having military installations (or stateside purchasing offices designated to act on their behalf) procure directly from schedule vendors unless the installations have shown that direct procurement is not feasible or practical; in which case, GSA will process the purchase orders.

2. Making sure that only valid requirements which cannot be procured overseas are sent to GSA for processing.

AGENCY COMMENTS AND OUR EVALUATION

Comments were obtained from GSA and the Department of Defense. Their comments centered on our recommendations as discussed below.

Advise domestic agencies that nonstores requisitions for schedule items will be returned

Both GSA and the Department of Defense concurred with this recommendation. GSA noted that because of serious resource constraints, a domestic agency should not purchase schedule items through its nonstores program.

Consult with the Defense Logistics Agency to modify the agreement concerning procurement for overseas military installations

GSA concurred with this recommendation. GSA stated that it will strongly urge Defense to require overseas Army and Air Force activities to purchase schedule items directly from schedule vendors.

Defense recognizes that GSA does not have the resources necessary to provide adequate overseas procurement support. However, Defense indicated that GSA's overall support mission must be considered, not only as it applies to the nonstores program but to other GSA procurement programs as well. According to Defense, GSA has been charged with providing critical procurement support but is steadily transferring its workload to the military services who do not receive any increase in resources.

Defense admits that some potential benefits, such as improvements in control over the acquisition process and reductions in order and ship time and in operating levels for items dependent upon the GSA supply line, could arise. However, it noted that it is not possible to implement this recommendation without disruptions to standard base supply, purchasing, and finance procedures.

While Defense's argument has some merit, we believe that from an overall Government standpoint, it would be more efficient and effective for overseas military installations to procure directly from schedule vendors. GSA agrees with us and has stated that overseas installations can place schedule purchase orders directly with continental United States source vendors and that the vast majority of these vendors can accept overseas orders. As our report notes, overseas military installations have already performed the bulk of the procurement effort in specifying the schedule items, quantity, vendor, and other information necessary for procurement. Consequently, we believe the entire procurement process can be accomplished by these installations with a minimal increase in resources. We believe the total resources applied to this effort would be reduced if GSA were to discontinue this procurement function.

APPENDIX I

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